

HOUSE BILL NO. 669

INTRODUCED BY VINCENT, COHENOUR, NOONEY, POMNICHOWSKI, VAN DYK, REINHART, HANDS,
BLEWETT, MILBURN, MENAHAN, HENDRICK, DICKENSON, BELCOURT, BENNETT, MCGILLVRAY,
WARBURTON, MILLER

BY REQUEST OF THE HOUSE NATURAL RESOURCES STANDING COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A DISTRESSED WOOD PRODUCTS INDUSTRY
REVOLVING LOAN PROGRAM; GRANTING RULEMAKING AUTHORITY; AUTHORIZING A LOAN
APPLICATION FEE; REQUIRING OUTCOME MEASURES; PROVIDING A STATUTORY APPROPRIATION;
AMENDING SECTION 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Revolving loan program for distressed wood products industry --
finding.** (1) Due to the current, well-documented decline in the wood products industry in Montana, the legislature
finds that there is a need to assist the Montana wood products industry as a whole through a revolving loan
program.

(2) There is a special revenue account called the distressed wood products industry revolving loan
account to the credit of the department of commerce.

(3) (A) The distressed wood products industry revolving loan account consists of money deposited into
the account from an appropriation in House Bill No. 645 and money from any other source. Any interest earned
by the account ~~and any interest that is generated from a loan repayment~~ must be deposited into the account and
used to sustain the program.

(B) LOAN REPAYMENTS AND ANY INTEREST GENERATED FROM LOAN REPAYMENTS MAY BE USED AS REVOLVING
LOANS FOR THE WOOD PRODUCTS INDUSTRY OR FOR PRIMARY SECTOR BUSINESSES STATEWIDE AND ARE NOT SUBJECT
TO THE PROVISIONS OF THIS SECTION.

(4) IN ANY BIENNIUM, UP TO 30% OF THE FUNDS IN THE DISTRESSED WOOD PRODUCTS INDUSTRY REVOLVING
LOAN ACCOUNT, NOT TO EXCEED \$2.7 MILLION, MAY BE USED AS MATCHING FUNDS TO SECURE ADDITIONAL FEDERAL
MONEY. EXCEPT AS PROVIDED IN SUBSECTION (3)(B), FEDERAL FUNDS MUST BE DEPOSITED IN A FEDERAL SPECIAL
REVENUE ACCOUNT AND USED FOR LOANS IN ACCORDANCE WITH [SECTIONS 1 THROUGH 4].

~~(4)(5)~~ (a) Funds from the distressed wood products industry revolving loan account may be loaned to:

(i) individuals, including private contractors related to the wood products industry; OR

(ii) businesses defined as small businesses pursuant to the regulations promulgated by the United States

small business administration pursuant to 13 CFR 121, et seq.; ~~and~~

~~—— (iii) units of local government.~~

~~—— (b) Small businesses that may be eligible for loans include but are not limited to sawmills, plywood plants, paper and linerboard manufacturers, bark and byproducts-related businesses, round wood producers, wood chip processors, loggers, log haulers, biochar and biomass producers, and other innovative manufacturers and processors of wood products.~~

(B) LOANS MADE PURSUANT TO THIS SUBSECTION (5) MUST BE MADE TO INDIVIDUALS OR SMALL BUSINESSES THAT ARE PART OF THE CRITICAL, PRIMARY WOOD PROCESSING INFRASTRUCTURE AND HAVE SUFFERED ECONOMIC HARDSHIPS.

~~(5)(6)~~ Loans must be used to sustain and grow the wood products industry in Montana. Loans may be used for:

(a) the purchase or lease of land or equipment;

(b) updating infrastructure, including retrofitting of infrastructure to facilitate new uses;

(c) ~~marketing or advertising~~ WORKING CAPITAL;

(d) debt service;

(e) matching funds for grants or other loans that comply with the intent of this section; or

(f) any other use the department determines would sustain and grow the wood products industry.

~~(6)(7)~~ (a) A loan may not exceed \$2 million and the loan must be repaid within 15 years.

(b) A loan recipient may apply for another loan pursuant to this section 2 years or more after the date the previous loan was approved.

NEW SECTION. Section 2. Administration of revolving loan account -- rulemaking authority. (1)

The department of commerce ~~shall~~ MAY adopt rules to implement [sections 1 through 4] establishing:

(a) eligibility criteria, including DEMONSTRATED NEED, criteria for defining capital investments, feasibility to create and retain jobs, financial capacity to repay the loans, estimated return on investment, and other matters that the department considers necessary to ensure repayment of loans and to encourage maximum use of the account;

~~(b) processes and procedures for disbursing loans, including the agencies or organizations that are allowed to process the loan application for the department;~~

~~(c)(B) terms and conditions for the loans, including repayment schedules and interest; and~~

~~(d)(C) a loan application fee.~~

~~(2) The department shall solicit assistance in the development and operation of the program from individuals familiar with financial services and persons knowledgeable in the wood products industry.~~

~~(3)(2) Loans must be made at a low interest rate. The department may set the interest rate at an amount that will cover its administrative costs, but the rate may not be less than 1% a year. The department may seek recovery of the amount of principal loaned in the event of default.~~ DETERMINE TERMS AND CONDITIONS OF LOANS, INCLUDING RECOVERY OF FUNDS IN THE EVENT OF DEFAULT.

NEW SECTION. Section 3. Outcome measures. (1) The department of commerce shall develop reasonable outcome measures by which the success of the distressed wood products industry loan program provided for in [sections 1 through 4] must be measured on an annual basis. Minimal outcome that must be measured includes:

~~(a) a loan loss ratio of under 5%;~~

~~(b)(A) the uses of loan funds that provided the best overall results; and~~

~~(c)(B) a determination of the overall success of the loan program, including but not limited to the number of jobs created or retained, pay levels, financial status, reports on project activities, the growth of a local economy, and the taxable value of property or equipment.~~

(2) The department may require information from entities receiving loans in order to measure outcome.

(3) IN ACCORDANCE WITH 5-11-210, THE DEPARTMENT SHALL PROVIDE A STATUS REPORT OF THE DISTRESSED WOOD PRODUCTS INDUSTRY LOAN ACCOUNT TO THE ECONOMIC AFFAIRS INTERIM COMMITTEE PROVIDED FOR IN 5-5-223.

NEW SECTION. Section 4. Use of funds -- statutory appropriation. Money in the distressed wood products industry revolving loan account AND THE RELATED FEDERAL SPECIAL REVENUE FUND is statutorily appropriated, as provided in 17-7-502, for the purpose of administering [sections 1 through 3].

Section 5. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory

1 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
2 need for a biennial legislative appropriation or budget amendment.

3 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
4 of the following provisions:

5 (a) The law containing the statutory authority must be listed in subsection (3).

6 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
7 appropriation is made as provided in this section.

8 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;
9 5-11-407; 5-13-403; 7-4-2502; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312; 10-3-314;
10 10-4-301; 15-1-121; 15-1-218; 15-23-706; 15-31-906; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121;
11 15-70-101; 15-70-369; 15-70-601; 16-11-509; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-7-304;
12 18-11-112; 19-3-319; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506;
13 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; 20-26-1503; 22-3-1004; 23-4-105; 23-4-202;
14 23-4-204; 23-4-302; 23-4-304; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 37-43-204; 37-51-501;
15 39-71-503; 41-5-2011; 42-2-105; 44-1-504; 44-12-206; 44-13-102; 50-4-623; 53-1-109; 53-6-703; 53-24-108;
16 53-24-206; 60-11-115; 61-3-415; 69-3-870; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 76-13-150; 77-1-108;
17 77-2-362; 80-2-222; 80-4-416; 80-5-510; 80-11-518; 82-11-161; 87-1-513; 90-1-115; section 4; 90-1-205;
18 90-3-1003; and 90-9-306.

19 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
20 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
21 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
22 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
23 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
24 appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion
25 of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is
26 10 years or less; pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates July 1, 2014;
27 pursuant to sec. 10(2), Ch. 10, Sp. L. May 2000, and secs. 3 and 6, Ch. 481, L. 2003, the inclusion of 15-35-108
28 terminates June 30, 2010; pursuant to sec. 17, Ch. 593, L. 2005, the inclusion of 15-31-906 terminates January
29 1, 2010; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates upon the death of the last
30 recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; and pursuant to sec. 6,

Ch. 2, Sp. L. September 2007, the inclusion of 76-13-150 terminates June 30, 2009.)"

NEW SECTION. **Section 6. Codification instruction.** [Sections 1 through 4] are intended to be codified as an integral part of Title 90, and the provisions of Title 90 apply to [sections 1 through 4].

COORDINATION SECTION. **Section 7. Coordination instruction.** If House Bill No. ____ [LC 2344] is not passed, then [this act] is void.

COORDINATION SECTION. SECTION 8. COORDINATION INSTRUCTION. IF [THIS ACT] AND HOUSE BILL NO. 645 ARE BOTH PASSED AND APPROVED, THEN [SECTION 25] OF HOUSE BILL NO. 645 RELATING TO THE DISTRESSED WOOD PRODUCTS INDUSTRY RECOVERY PROGRAM IS VOID AND THE APPROPRIATION FOR THE DISTRESSED WOOD PRODUCTS INDUSTRY RECOVERY PROGRAM PROVIDED FOR IN HOUSE BILL NO. 645 MUST BE DEPOSITED IN THE DISTRESSED WOOD PRODUCTS INDUSTRY REVOLVING LOAN ACCOUNT PROVIDED FOR IN [THIS ACT].

NEW SECTION. **Section 9. Effective date.** [This act] is effective on passage and approval.

- END -